



Target	₹208 – 215
Recommendation	BOOK PROFIT
Highlights	<ul style="list-style-type: none"> ○ Bank of Baroda (BOB) posted robust performance in Q1FY24 with strong loan book growth and improving asset quality. ○ Global advances witnessed a growth of +18% YoY/+2% QoQ to ₹9,910bn driven by retail loans which grew +25% YoY/+3% QoQ to ₹1,841bn. ○ The Bank's return on equity (RoE) during Q1FY24 expanded by +640 bps YoY to 20% while return on assets (ROA) was at 1.1% up +43bps YoY. ○ Net interest income was up +24% YoY but down -5% QoQ to ₹110bn primarily due to 24 bps sequential fall (rose +34 bps YoY) in NIMs (domestic) to 3.4%. ○ Core PPOP grew +73% YoY(down -3% QoQ) to ₹78bn as increase in operating expenses by +18% YoY(-6% QoQ) more than offset rise in the other income of +181% YoY(-4% QoQ). ○ Provisions during the quarter increased +16% YoY/+37% QoQ to ₹19bn, resultantly profit after tax was up 88% YoY but down -15% QoQ at ₹41bn. ○ Bank's asset quality improved as GNPA fell -275bps YoY/-28bps QoQ to 3.5% while NNPA was down -80bps YoY/-11 QoQ to 0.8%. ○ Management expects loan book to grow at ~15% in FY24 and growth in retail segment to be 4-5% better than industry growth ○ Gross NPA would be around 3.5%, Net NPA likely to be around 0.75%. Slippage would be in the range of 1-1.25% and credit cost would remain below 1%.

Q1FY24 Result Highlights
Advances and deposits

- In Q1FY24, Bank of Baroda posted a strong growth of +18% YoY/+2% QoQ to ₹9,910bn in gross advances led by surge in retail loans which grew +25% YoY/+3% QoQ to ₹1,841bn.
- Loan book mix during Q1FY24, stood at Retail – 27%, Agriculture – 16%, MSME – 14% and Corporate – 43%.
- In retail segment, home loans grew by +18% YoY/+2% QoQ to ₹1,000bn, while other segments also witnessed strong traction.
- Corporate loan book was up +15% YoY (+2% QoQ) to ₹3,468bn and Agriculture credit too rose +15% YoY (+3% QoQ) to ₹1,276bn. Advances to MSME segment grew tad lower at +13% YoY (+1% QoQ) to ₹1,092bn.
- Overseas asset book witnessed robust increase of +24% YoY/+3% QoQ to ₹1,784bn.
- Total deposits during Q1FY24, were up +16% YoY but flat QoQ at ₹11,999bn. Term deposits witnessed strong growth of +23% YoY/+4% QoQ to ₹6,267bn.
- CASA deposits witnessed softness as it grew +5% YoY/down -4% QoQ to ₹4,236bn. Consequently, CASA ratio fell 385bps YoY/192bps QoQ to 40%.

Financial performance

- In Q1FY24, Net interest income was up +24% YoY but down -5% QoQ to ₹110bn primarily due to 24 bps sequential fall (rose +34 bps YoY) in NIMs (domestic) to 3.4%.
- Core PPop was up +73% YoY/down -3% QoQ to ₹78bn as higher operating expenses +73% YoY (-3% QoQ) more than offset surge in the other income by +181% YoY (-4% QoQ).
- Provision during the quarter were up +16% YoY/+37% QoQ to ₹19bn. Resulting in profit after tax of ₹41bn up +88% YoY but down -15% QoQ.
- Return on equity stood at 20% (+640bps YoY/-479bps QoQ) and return on asset was at 1.1% (+43bps YoY/-23bps QoQ).

Net Interest Margin

- The bank's domestic net interest margin during Q1FY24, came in at 3.4% expanded +34bps YoY/contracted -24bps QoQ. Overseas business NIM stood at 1.92% resulting in bank reporting overall NIMs at 3.27%.
- Cost of deposits rose +93bps YoY/+22bps QoQ to 4.7%, while yield on advances were up +149bps YoY/down -12bps QoQ to 8.9%.

Asset Quality

- Bank's asset quality improved as GNPA fell -275bps YoY/-28bps QoQ to 3.5% while NNPA was down -80bps YoY/-11bps QoQ to 0.8%.
- Slippages during the quarter were within limit and stood at ₹25bn down -25% YoY/ up +9% QoQ. Subsequently, slippage ratio stood at 1.05%, fell -66bps YoY/ flat QoQ.
- For Q1FY24, provision coverage ratio improved +258bps YoY/ +133bps QoQ to 79%.

Management commentary KTAs

- Loan book likely to grow at ~15% in FY24 while retail segment would perform 4-5% better than average industry growth.
- NIMs would be maintained at ~3.3% level. Partial MCLR book is yet to be repriced which would provide cushion against increasing cost of funds.
- Asset quality would remain stable as Gross NPA would be around 3.5%, Net NPA likely to be around 0.75%. Slippage would be in the range of 1-1.25% and credit cost would remain below 1%.
- Exposure to Go First Airlines is around ₹13bn for which, the lender has made a provision of ₹6.3bn. Recovery for FY24 would be around ₹120bn.

Important Data

Nifty Sensex	19,394 65,216
CMP	₹191
Market Cap (₹ bn)	₹986.95bn
52W High/Low	₹210.80/ 117.00
Shares o/s (mn)	5,171
20D Avg Volume	21,941,295
BSE Code	532134
NSE Code	BANKBARODA
Bloomberg Code	BOB:IN

Shareholding Pattern (%) – Jun'23

Promoter	63.9
DII's	16.7
FII's	10.9
Public & Others	8.1

Financials & Ratios

Particulars	(₹ Cr)				
	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Revenue	18,937	21,254	23,540	25,857	26,556
NP	2,168	3,313	3,853	4,775	4,070
EPS	4.19	6.41	7.45	9.23	7.87
NIM %	3.02	3.33	3.37	3.53	3.27
Cost to Income	54.81	49.74	42.71	46.15	45.36
RoE	13.63	19.56	21.08	24.82	20.03
RoA	0.68	1.01	1.13	1.34	1.1
Cost of Deposit	3.46%	3.59%	4.01%	4.43%	4.68%
Yield on Adv	6.58%	7.22%	7.78%	8.47%	8.40%
GNPA %	6.26	5.31	4.53	3.79	3.51
NPA %	1.58	1.16	0.99	0.89	0.78
CASA	44.18	39.83	41.63	42.25	40.33

Source: Company, Way2Wealth

Prasad Hase
prasadhase@way2wealth.com

91-22-4019 2908

VIEW

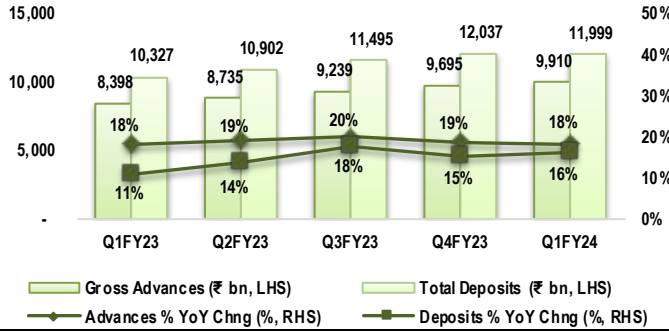
Bank of Baroda's robust quarterly performance is indicative of the improving business metrics for the lender. Growth in domestic asset book was broad based, as the bank was very well able to capture the pickup in the system credit on the back of its strong branch network. Additionally, strong loan book growth in overseas market, despite challenging external environment, highlights robust business franchise the bank has developed over the years. Consistent improvement in asset quality has led the bank post lower slippage in several quarters. Also, improved PCR provides additional comfort in terms of asset quality. On the operational front, BoB's strategies on improving efficiencies have played out well as is reflected in the bank's consistently falling cost to income ratio.

The management's guidance of maintaining 3.3% margin for FY24 despite rising CoD would be driven by repricing of remaining MCLR linked book. Plans to maintain GNPA at ~3.5%, NNPA at ~0.75% and slippage below 1% indicates that the asset quality likely to remain stable for FY24, as exposure to airline also seems constrained with better provisioning.

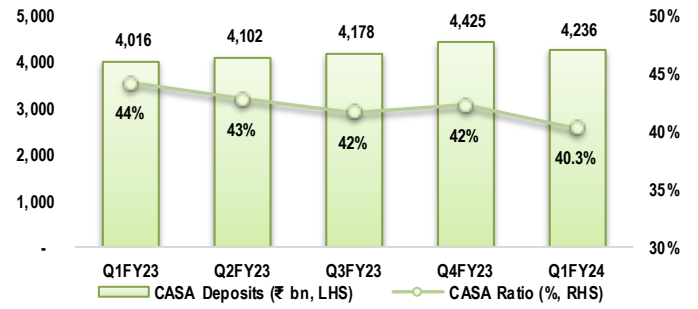
With improving operational efficiency, stable asset quality and guidance for strong business growth in near term, we believe BoB is a good candidate to play on a PSBs rerating story. **We achieved earlier stated price target range of ₹208-215 per share and hence suggest to book profit in the script. However, long-term investors can stay invested, as we believe the bank will continue to do well supported by its fundamentals.**

Business Position

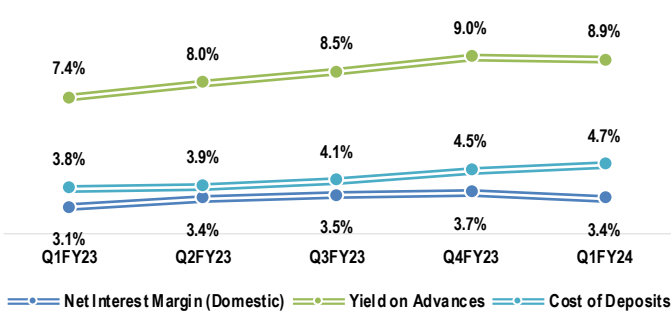
Advances and Deposits



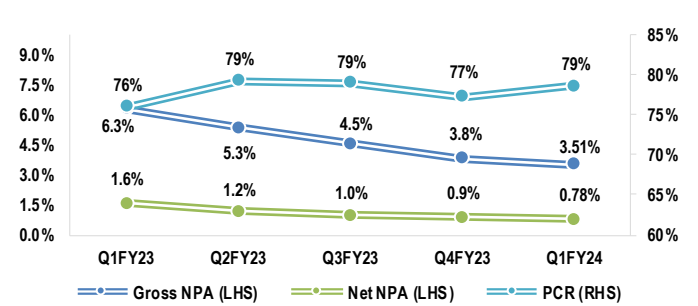
CASA Deposits



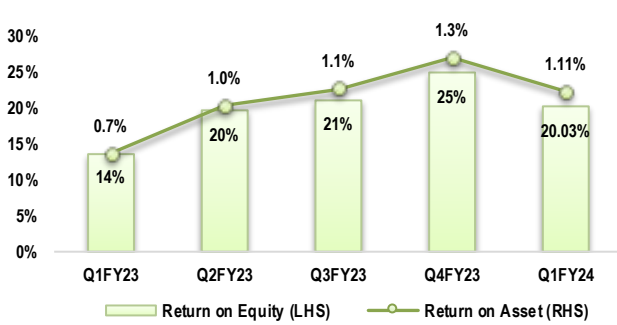
NET INTEREST MARGIN



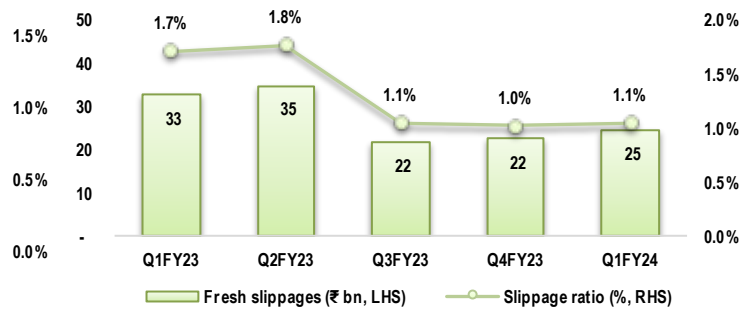
ASSET QUALITY



Return Ratios



Fresh Slippages



Source: Company, Way2Wealth

FINANCIAL & OPERATIONAL PERFORMANCE

Particulars (₹ bn)	Q1FY24	Q1FY23	YoY %	Q4FY23	QoQ % Chng	FY23	FY22	YoY%
Interest/ discount on advances / bills	198	130	52%	191	4%	641	493	30%
Income on investments	60	49	22%	61	0%	222	176	26%
Interest on balances with RBI & other inter-bank funds	4	3	45%	4	-3%	14	10	42%
Others	3	7	-56%	3	9%	19	20	-2%
Interest earned	266	189	40%	259	3%	896	699	28%
Interest expended	156	101	54%	143	9%	482	373	29%
Net Interest Income	110	88	24%	115	-5%	414	326	27%
Other income	33	12	181%	35	-4%	100	115	-13%
Total income	143	100	43%	150	-4%	514	441	16%
Operating expenses	65	55	18%	69	-6%	245	217	13%
Core Profit	78	45	73%	81	-3%	269	224	20%
Provisions and contingencies	19	17	16%	14	37%	71	130	-45%
Exceptional item	-	-	-	-	-	-	-	-
Profit before tax	59	28	107%	67	-12%	197	94	110%
Tax expense	18	7	168%	19	-4%	56	21	166%
Net profit	41	22	88%	48	-15%	141	73	94%
Earnings per share (EPS)	8	4	88%	9	-15%	27	14	94%
NIM (Overall)	3.3%	3.0%	25 bps	3.5%	-26 bps	3.3%	3.0%	28 bps
NIM (Domestic)	3.4%	3.1%	34 bps	3.7%	-24 bps	3.4%	3.1%	33 bps
Cost to Income ratio	45.4%	54.8%	-946 bps	46.2%	-79 bps	47.7%	49.2%	-152 bps

Source – Company, Way2Wealth

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Disclosure of Interest Statement Bank of Baroda as on 22 August 2023

Name of the Security	Bank of Baroda
Name of the analyst	Prasad Hase
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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